THE TIMES
Retailing

Nisa flies the flag for mutual retailers

The Co-operative Group may no longer be a model of mutuality but one lesser-known rival has announced record sales as it seeks to defend the concept. Nisa, the mutually-owned convenience store group, reported sales up 10.5 per cent to £1.58 billion in the year to March 31, and volumes increased 12.9 per cent.

The organisation, which stands for Northern Independent Supermarkets Association, was founded by Peter Garvin, a Yorkshire retailer, and Dudley Ramsden, a Grimsby wholesaler, in 1977 in an attempt to protect independent shopkeepers from the rise of the big chains. Neil Turton, the chief executive of Nisa, a buying group for 1,200 local retailers, operating more than 4,000 shops, said that earnings before interest, tax, depreciation and amortisation was £12.3 million, "significantly" helped by winning a contract to supply about 400 of McColl's convenience stores.

The deal with McColl's, which is among a number of retailers to have floated on the London Stock Exchange this year, was a significant coup for Nisa because Costcutter, one of its major members, had departed last year. Mr Turton said that the mutual could have "made a lot more money but we put investment into price".

Annual accounts for Nisa, which is based in Scunthorpe, are yet to be filed at Companies House. In the year to March 31, 2013 it reported a pre-tax profit of £3.3 million, down from £3.8 million. "From our point of view it's not about maximising profit," he said. Rather, its members are attracted by the opportunity to source goods for lower prices from the major suppliers via Nisa. Mr Turton said that the contrast with the Co-op, which had a "very different" management and culture, was "marked". "We operate governance in Nisa which is very similar to that which Lord Myners recommended to the Co-op, which is independent directors, a really low cost base, and to operate on a very entrepreneurial basis," he said, echoing comments from Andy Street, the managing director of John Lewis, who has also emphasised the department store chain's differences from the Co-op. "We have got members involved, obviously but we have strong independent directors so management are kept very much on their toes."

Its board comprises three executives, including Mr Turton, three external directors and nine elected members.

Like the Co-op, Nisa suffered a period of turmoil. In 2006, a merger with Costcutter was aborted after rebellious shareholders called in the Office of Fair Trading. The mutual has had the good fortune to operate in the convenience market, one of the fastest growing areas of food retailing. Consumers have been cutting down on big weekly shops and taking numerous trips to convenience stores. Britain's 47,090 small shops made sales of £35.6 billion in the 12 months to April 2013, according to IGD, the researcher. Only 3,318 were run by big chains.
However, the major supermarkets opened the most convenience stores during that period. Philip Clarke, the chief executive of Tesco, last week called the changes to trading, which also include customers defecting to discounters and shopping online, as more rapid than ever before.

Mr Turton said that Nisa had been approached by competitors looking to buy the business but had turned them down to retain its mutual ethos. In 2009, Bibby Line Group, the owner of Costcutter, attempted to buy Nisa, but there have been other advances. Rather than sell the business, Nisa is looking to stop its members defecting to Tesco, which owns One Stop Stores, by launching its own franchise model.